

# ING Bank N.V., Hong Kong Branch

(Incorporated in the Netherlands with limited liability)

**Interim Financial Disclosure Statement** 

30 June 2019

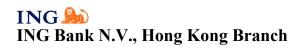
## **Basis of Preparation**

The Interim Financial Disclosure Statement for the half year ended 30 June 2019 (the "Disclosure Statement") has been prepared in accordance with the relevant requirements of the Banking (Disclosure) Rules and the disclosure standards as stated in the Hong Kong Monetary Authority's Supervisory Policy Manual on "Guideline on the application of the Banking (Disclosure) Rules".



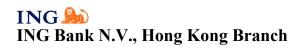
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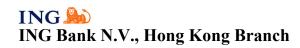
## **Income Statement (unaudited)**

·	Half year ended 30 June	Half year ended 30 June
Figures in HKD million	2019	2018
- C		
Interest income	1,004	1,086
Interest expense	(758)	(833)
Net interest income	246	253
Other operating income		
Gains less losses arising from trading in foreign currencies	35	45
Gains less losses on securities held for trading purposes	-	-
Net fees and commission income Others	57 30	64 27
		-
Total operating income	368	389
Operating expenses		
Staff expenses	(102)	(95)
Rental expense	(15)	(15)
Other operating expenses	(96)	(97)
Total operating expenses	(213)	(207)
Net income before impairment allowances	155	182
Net credit/(charge) of impairment allowances on advances and other accounts	2	(1)
Gains less losses from the disposal of fixed assets	-	-
Profit before taxation	157	181
Taxation	(27)	(29)
Profit after taxation	130	152
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## **Balance Sheet (unaudited)**

Figures in HKD million	At 30 June 2019	At 31 December 2018
Assets		
Cash and balances with banks	2,706	679
Balances with central bank	168	921
Placements with banks and other financial institutions maturing between one and twelve months	-	342
Amount due from overseas offices	31,411	26,925
Trade bills	6,218	5,747
Investment securities	5,194	5,988
Loans and receivables Advances to customers Advances to banks and other financial institutions	39,572 7,436	30,043 17,726
Accrued interest and other assets	310	443
Impairment allowances on advances and other accounts	(12)	(14)
Fixed assets	93	21
Total assets	93,096	88,821
Liabilities		
Deposits and balances of central banks, banks and other financial institutions	10,519	8,737
Deposits from customers Demand deposits and current accounts Savings deposits Time, call and notice deposits	26 1,007 3,806	199 1,321 5,244
Amount due to overseas offices	77,106	72,687
Other liabilities	632	633
Total liabilities	93,096	88,821



## 1. Net Fees and Commission Income

Half year ended 30 June	Half year ended 30 June
2019	2018
58	66
(1)	(2)
57	64
	30 June 2019 58 (1)

## 2. Analysis of Gross Advances to Customers by Industry Sectors and Advances Usage

Figures in HKD million	At 30 Jun	ne 2019	At 31 December 2018		
Advances for use in Hong Kong	Gross Advances	Balance covered by collateral and other security	Gross Advances	Balance covered by collateral and other security	
Industrial, commercial and financial sectors					
- Manufacturing	3,533	5	4,068	_	
- Property development	1,100	-	1,412	1,175	
- Property investment	450	405	450	405	
- Wholesale and retail trade	500	-	500	-	
- Transport and transport equipment	3,289	-	2,681	-	
- Financial concerns	2,080	-	2,583	695	
- Electricity and gas	4,889	-	3,008	-	
- Information technology	1,054	-	-	-	
- Others	300	300	180	180	
Individuals	17,195	710	14,882	2,455	
<ul><li>For the purchase of other residential properties</li><li>Others</li></ul>	- -		- -		
	-	-	-	-	
Total advances for use in Hong Kong	17,195	710	14,882	2,455	
Trade finance	12,064	3,069	6,088	1,849	
Advances for use outside Hong Kong	10,313	4,026	9,073	3,958	
Gross advances to customers	39,572	7,805	30,043	8,262	

## 3. Analysis of Gross Advances to Customers by Geographical Areas

Figures in HKD million		At 30 June 2019	At	31 December 2018
Asia Pacific  Of which: Hong Kong  Of which: Mainland China	25,547 8,259	35,470	16,276 8,509	27,455
Europe Caribbean America	0,207	2,761 1,341	0,000	1,644 725 219
		39,572		30,043

The above analysis by geographical area is based on the location of the counterparty after taking into account the transfer of risk. In general, transfer of risk applies when an advance is guaranteed by a party in a location which is different from that of the counterparty.

## 4. Impairment Allowances on Advances and Other Accounts

	2018
11	14
1	-
<u>-</u>	
12	14
	1



## 5. Impaired Advances to Customers

	At 30 June	At 31 December
Figures in HKD million	2019	2018
Total amount of impaired advances to customers		
which are individually determined to be impaired	-	-
Individual impairment allowances made in respect of such advances	_	_
or such advances		
	_	
Total value of collateral	-	-
Percentage of such advances to total advances		
to customers	0.00%	0.00%
Analysis of such advances by geographical areas after		
risk transfer:		
Asia Pacific	_	_
Europe	_	_
Caribbean	-	-
America	-	-

There were no impaired advances to banks and other financial institutions as at 30 June 2019 and 31 December 2018.



### 6. Overdue and Rescheduled Advances to Customers

Figures in HKD million		At 30 June 2019	A	t 31 December 2018
		% of gross advances		% of gross advances
	Amount	to customers	Amount	to customers
(a) Gross amount of advances to customers v	which have	been overdue for:		
Six months or less but over three months	_	0.00%	-	0.00%
One year or less but over six months	-	0.00%	_	0.00%
Over one year	-	0.00%	-	0.00%
		0.00%		0.00%
Analysis of such advances by geographic	al areas af	ter risk transfer:		
Asia Pacific	_	0.00%	-	0.00%
Europe	-	0.00%	-	0.00%
Caribbean	-	0.00%	-	0.00%
America	-	0.00%	-	0.00%
		0.00%	-	0.00%

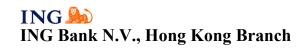
No advances to banks and other financial institutions and other assets were overdue for more than 3 months as at 30 June 2019 and 31 December 2018.

#### (b) Rescheduled advances:

There were no rescheduled advances to customers, banks and other financial institutions as at 30 June 2019 and 31 December 2018.

## (c) Repossessed assets:

There were no repossessed assets as at 30 June 2019 and 31 December 2018.



## 7. Disclosure of Value of Collateral Held Against Overdue Loans and Advances

Figures in HKD million	At 30 June 2019	At 31 December 2018
Current market value of collateral held against the covered portion of overdue loans and advances	-	-
Covered portion of overdue loans and advances Uncovered portion of overdue loans and advances	- -	<del>-</del>
Individual impairment allowances made in respect of overdue loans and advances	-	-

#### 8. International Claims

Geographical segments and individual countries constituting 10% or more of the aggregate international claims are summarised as follows:

Figures in HKD million

		-	Non-bank p	rivate sector		
	Banks	Official sector		Non-financial private sector	Others	Total
At 30 June 2019						
Developed countries of which Netherlands	31,436	-	-	598	-	32,034
Developing Asia and Pacific countries of which China	10,533	-	-	9,873	-	20,406
Offshore centres of which Hong Kong	1,048	-	4,523	13,433	-	19,004
At 31 December 2018						
Developed countries of which Netherlands	26,964	-	-	605	-	27,569
Developing Asia and Pacific countries of which China	15,811	-	-	9,361	-	25,172
Offshore centres of which Hong Kong	289	-	-	10,063	-	10,352

The above analysis is prepared with reference to the completion instructions for the Hong Kong Monetary Authority Return of International Banking Statistics. International claims are on-balance sheet exposures to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies.

## 9. Non-bank Mainland China Exposures

Figures in HKD million	<b>Figures</b>	in	<b>HKD</b>	millio
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## At 30 June 2019

	On-balance sheet	Off-balance sheet	
Types of Counterparties	exposures	exposures	Total
Central government, central government-owned entities and their subsidiaries and Joint Ventures ("JVs")	20,215	12,168	32,383
2. Local governments, local government-owned entities and their subsidiaries and JVs	1,491	454	1,945
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	6,316	1,485	7,801
4. Other entities of central government not reported in item 1 above	990	346	1,336
5. Other entities of local governments not reported in item 2 above	898	-	898
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,366	3,434	8,800
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<del>_</del>	<u>-</u>	
Total	35,276	17,887	53,163
Total assets after provisions	93,096		
On-balance sheet exposures as % of total assets	37.89%		

## 9. Non-bank Mainland China Exposures (Continued)

Figures in HKD million

### At 31 December 2018

	On-balance sheet	Off-balance sheet	T. 4.1
Types of Counterparties	exposures	exposures	Total
Central government, central government-owned entities and their subsidiaries and Joint Ventures ("JVs")	9,849	15,010	24,859
2. Local governments, local government-owned entities and their subsidiaries and JVs	885	206	1,091
<ol> <li>PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs</li> </ol>	6,153	1,269	7,422
4. Other entities of central government not reported in item 1 above	993	-	993
5. Other entities of local governments not reported in item 2 above	508	-	508
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5,909	3,305	9,214
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures			
Total	24,297	19,790	44,087
Total assets after provisions	88,821		
On-balance sheet exposures as % of total assets	27.36%		

## 10. Currency Risk

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At 30 June 2019	USD	EUR	CNY	SGD	JPY	Others	Total
Spot assets	40,532	29,765	769	346	22	404	71,838
Spot liabilities	(51,291)	(29,781)	(770)	(347)	(21)	(404)	(82,614)
Forward purchases	14,123	19	335	48	-	-	14,525
Forward sales	(3,366)		(335)	(48)			(3,749)
Net (short)/long							
position	(2)	3	(1)	(1)	1	-	
Net structural							
position	<u> </u>						
Net option position		-	_	-	-	-	-
At 31 December 201	8						
	USD	EUR	CNY	SGD	JPY	Others	Total
Spot assets	58,107	10,315	1,817	328	2	19	70,588
Spot liabilities	(66,690)	(10,290)	(2,027)	(330)	(1)	(18)	(79,356)
Forward purchases	10,899	<del>-</del>	426	58	43	-	11,426
Forward sales	(2,304)	(24)	(215)	(58)	(43)		(2,644)
Net long/(short)							
position	12	1	1	(2)	1	1	14
Net structural							
position	_		<u>-</u>	-	-	-	_
Net option position	_	-	_	-	-	-	-
1 1							

Net position in a particular foreign currency is disclosed if the net position (regardless of sign) constitutes 10% or more of the total net position in all foreign currencies.

There is no structural position/ option position in any currency as at 30 June 2019 and 31 December 2018.



### 11. Liquidity

#### 11.1 Liquidity Ratios

	For the	For the
	quarter ended	quarter ended
	30 June	30 June
	2019	2018
Average Liquidity Maintenance Ratio ("LMR")	38.79%	39.19%

The Branch complies with the minimum requirement of LMR in accordance with the Banking (Liquidity) Rules issued by the Hong Kong Monetary Authority ("HKMA").

The average LMR is calculated as the simple average of each calendar month's average LMR.

### 11.2 Liquidity Risk Management

ING Bank N.V., Hong Kong Branch ("the Branch") manages its liquidity under the ING Global Funding and Liquidity Risk framework, which is defined and set by the ING Bank N.V.'s Management Board.

Funding and liquidity risk is the risk that ING Group (the "Group") or one of its subsidiaries/branches cannot meet its financial liabilities when they are due, at a reasonable cost and in a timely manner. ING incorporates funding and liquidity management in its business strategy globally and applies the above funding and liquidity risk framework in order to manage such risks within pre-defined boundaries.

The Branch is a full branch of the Group and it applies both the Group's and its own localized funding and liquidity risk frameworks in order to manage the Group's pre-defined boundaries and the Branch's local regulatory limits at the same time.

Liquidity Management is performed by the Group Treasury and covers the areas of (i) intra-day liquidity risk (Internal Liquidity Adequacy Assessment Process); (ii) short term cash management (overnight and tomorrow next); (iii) funding risk (1 week to 1 year tenors); (iv) structural liquidity risk (1yr + tenors); and (v) stress testing. Group Treasury operates under the oversight of and limits set by the Assets & Liabilities Committee ("ALCO") and the Market Risk Management department of the Branch.



#### 11. Liquidity (Continued)

#### 11.2 Liquidity Risk Management (Continued)

#### 11.2.1 Governance

In line with the Group's overall governance, the funding and liquidity risk management of the Branch falls under the supervision of the Branch's ALCO. It approves the funding and liquidity risk appetite that is cascaded from the Group's ALCO towards the Branch's ALCO and it simultaneously takes fully into account all relevant local HKMA regulations. The ALCO members (which include representatives of staff departments from the Chief Risk Officer ("CRO") and Chief Financial Officer ("CFO") domain, as well as Group Treasury and commercial business lines) have oversight and are locally responsible for managing funding and liquidity risk.

The Branch's second line market risk management function is responsible for developing and maintaining the Branch's policies, standards, guidelines and risk appetite for funding and liquidity risk management. The Financial Risk function measures funding and liquidity risks, is responsible for stress testing activities and controls the liquidity requirements related to commercial products. The local finance function is responsible for reporting and providing management information related to funding and liquidity management.

In order to effectively monitor and manage funding and liquidity risk, the Group has set up a comprehensive funding and liquidity framework. This framework contains the following main components:

- Charters: setting out the governance:
- Policies: providing background on what needs to be done and the corresponding obligations;
- Minimum standards: setting out the mandatory rules and requirements to be met related to a policy;
- Guidance: including all additional useful information to support the funding and liquidity risk framework; and
- Templates and tools: supporting the performance of the funding and liquidity risk management tasks.

#### 11.2.2 Funding and Liquidity Management Strategy and Objectives

The Branch's liquidity position is the responsibility of local management, with support from the Regional Office (the "RO"), especially Group Treasury in Singapore. The funding, liquidity strategy and planning is in line with the Group's strategy, risk appetite and identified risks.

As the Branch is operating in a global network of other ING branches under the Group, the Branch's funding strategy depends largely on the centralized funding strategy of the Group. The main pillars of the funding and liquidity strategy and objectives are aimed at diversification targets for short and long-term sources as part of the overall funding plan. Another essential component of ensuring funding diversity is maintaining market access to new funds and managing existing funding and liquidity sources.



#### 11. Liquidity (Continued)

#### 11.2 Liquidity Risk Management (Continued)

#### 11.2.3 Funding and Liquidity Risk Tolerance and Reporting

#### Local Risk Appetite Statement ("RAS") setting process

Metrics and limits are set to measure the current exposure according to bank-wide Risk Appetite principles. The starting point for each principle is to set a limit for the Group on a consolidated basis. To address the liquidity risk throughout the bank, consolidated RAS metrics and limits are cascaded to first level ALCO (i.e. ING Bank N.V. Limited) where appropriate.

Each first level ALCO must comply with the limits and/or monitoring metrics set in the bank-wide RAS. Any limit breach must be reported to ALCO Bank and may lead to corrective measures. Higher level ALCOs are responsible to allocate the limits to lower level ALCOs and local entities.

First and lower level ALCOs and local entities are encouraged to set their own RAS and/or related limits. Limits defined under the Group wide RAS prevail over such limits, except when conflicting with stricter local regulatory requirements. Therefore, a review of (additional) local RAS is mandatory to assure that Group wide and local RAS is complementing each other.

Updating a local RAS is done on an annual process. In addition, principles, metrics and limits may be amended when deemed necessary anytime during the year as long as they are approved by the required committee.

#### **Components of local RAS Setting:**

#### • Group Strategy, Dynamic Plan and local regulation:

The strategy, Group-wide RAS, stress testing and the Dynamic Plan ("DP") are the starting point of the local RAS setting. In general, the strategy will not be updated annually. Only significant changes trigger review in the DP, Group wide and local RAS.

## • Local risk identification & assessment:

The local risk identification and assessment process must be completed before initiating the local RAS setting process. Risk identification is the process of detecting potential new risks and changes in known risks. Significant risks that are specific to local circumstances could be managed and monitored by setting a local RAS and/or limits.

### • Head office defined RAS principles and limits:

Head office defined RAS principles and limits prevail over local RAS principles and limits. When defining a local RAS, the Group-wide RAS must be taken as the starting point. This can, however, be supplemented with local principles, metrics and limits.

#### • Local risk appetite principles & metrics:

If local risk identification identifies significant local risks that are not covered by the Bankwide RAS, (e.g. based on regulatory requirements or strategic/DP objectives), ALCOs and local entities are required to evaluate whether new local RAS are to be set. New local RAS principles and metrics are prepared and proposed by market risk management function, agreed upon with both first and second line representatives and approved by ALCO.



#### 11. Liquidity (Continued)

#### 11.2 Liquidity Risk Management (Continued)

#### 11.2.3 Funding and Liquidity Risk Tolerance and Reporting (Continued)

### Local limit:

An integral review of the risk appetite limits must be executed annually. However, review of the local RAS limits is a continuous process. Local RAS limits can be changed during the year, based on, for example, analyses of monitoring findings, internal or external developments, regulatory developments, peer review and stress test results. As a result of this review, risk appetite limits can be continued unchanged/reconfirmed, adjusted or newly set. Local limits are prepared and proposed by market risk management function, agreed upon with both first and second line representatives and approved by ALCO.

#### **Local RAS Reporting**

Local RAS reporting refers to reports in which the compliance with the RAS limits is monitored. Local RAS reporting to ALCO is a second line responsibility (exact responsibilities may vary and are detailed at local level). However, first line must ensure they stay within the limits, which involves a form of first line monitoring. The ALM risk function independently monitors the compliance with both Group's and local risk appetite and the corresponding limits.

To comply with one of the Group's funding & liquidity adequacy and RAS, the Branch is obliged to monitor and manage the Liquidity Coverage Ratio ("LCR"). Next to the Group's requirements with respect to LCR, the Branch has to comply with local regulatory requirements of the HKMA. As the Branch is earmarked as a Category 2 entity, it needs to comply with the LMR requirements together with the HKMA Stable Funding Requirement.

#### 11.2.4 Stress Testing

The Funding & Liquidity Stress Testing forms part of the overall Funding & Liquidity framework. It allows ING to examine the effects of exceptional but plausible future events on ING's liquidity position and provides insight into which entities, business lines or portfolios are vulnerable to which types of risk and/or under which scenarios.

The scope of the Funding & Liquidity Stress Testing framework includes the funding and liquidity risks of the Branch's balance sheet, all underlying business lines, on- and off-balance sheet positions as well as contingent assets and liabilities. The Net Liquidity Position ("NLP") and Time-to-Survive ("TTS") are two pre-determined output metrics both of which are affected as a result of the application of specific scenarios and parameters.

The Funding & Liquidity Stress Testing framework distinguishes between idiosyncratic and market-wide scenarios (and a combination of the two) and differentiates between stress events that develop in a gradual or fast manner. The generic design of the Funding & Liquidity Stress Testing framework, which is based on empirical evidence supplemented with expert judgment, can easily be applied to a specific scenario, for example as input for the firm-wide stress testing or reverse stress testing.



#### 11. Liquidity (Continued)

#### 11.2 Liquidity Risk Management (Continued)

#### 11.2.4 Stress Testing (Continued)

The outcomes of the stress tests are taken into consideration across all the key aspects of the Branch's funding and liquidity risk framework and liquidity management:

- risk appetite framework (through RAS);
- risk identification and assessment;
- monitoring of the liquidity position;
- the contingency funding plan; and
- early warning indicators.

The Funding & Liquidity Stress Testing framework is also subject to regular internal validation.

In line with European Central Bank ("ECB") regulation, ING's liquidity position is stress tested on a monthly basis under a particular scenario that forms part of the Funding and Liquidity RAS. In addition, the results of the stress scenarios are monitored and evaluated on a regular basis and provide input for any follow-up on the need for additional contingency measures. The results of stress testing either confirm sound liquidity risk management, or reveal weaknesses that may require mitigating actions such as an adjustment of liquidity risk management strategies, tolerance, positions, or crisis plans.

The results of the stress tests may result in the adjustment of the contingency funding plan. The contingency funding plan addresses the contingency liquidity risk which specifically relates to the organization, planning and actions to address liquidity shortfalls under stressed conditions. Unexpected events, economic conditions, market fluctuations, earnings problems or situations beyond ING's control could cause either a short- or long-term liquidity crisis. The contingency funding plan supports taking effective mitigating measures to maintain or regain financial strength, viability and market trust. The contingency funding plan is developed in conjunction with the Branch's Recovery Plan and is tested on a regular basis.

### 12. Disclosure on Remuneration

Pursuant to section 3 of Supervisory Policy Manual (CG-5) Guideline on a Sound Remuneration System issued by the HKMA, the Branch complies with the requirements and has adopted the remuneration systems of ING Bank N.V. Head Office. Please refer to 2018 annual report of ING Group N.V. for details.

## 13. Contingent Liabilities and Commitments

	At 30 June	At 31 December
Figures in HKD million	2019	2018

The following is a summary of the contractual amount of each significant class of contingent liabilities and commitments:

2,910	9,852
5,539	83
9,425	9,286
3,609	2,118
34,100	40,992
3,705	4,740
59,288	67,071
	5,539 9,425 3,609 34,100 3,705

#### 14. Derivatives

Figures in HKD million	At 30 June 2019	At 31 December 2018
The contractual/notional amounts of derivati	ves are disclosed as follows:	
Exchange rate contracts	17,583	13,321
Interest rate contracts	18,297	5,540
	35,880	18,861

The amounts are shown on a gross basis and do not take into account the effect of bilateral netting arrangements.

The contract/notional amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date. They do not represent amounts at risk.

	At 30 June	At 31 December
Figures in HKD million	2019	2018

Total positive and negative fair value of each class of derivatives are disclosed as follows:

Exchange rate contracts

- Positive fair value	5	14
- Negative fair value	(20)	(4)
	(15)	10
Interest rate contracts		
- Positive fair value	-	-
- Negative fair value	-	-

## 15. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statements presentation adopted in the current year.

Hong Kong, 30 September 2019



## **Group Consolidated Financial Information (unaudited)**

## 1. Capital Position and Capital Adequacy Ratios

The information set out below is based on the consolidated accounts of ING Group N.V. (the "Group").

Figures in EUR million	At 30 June 2019	(Audited) At 31 December 2018
Shareholders' funds	52,598	50,932
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio Tier 1 Ratio Total Capital Ratio	14.5% 16.3% 18.4%	14.5% 16.2% 18.4%

The capital adequacy ratios of the Group have been calculated in accordance with the Basel Capital Accord and incorporated market risk associated with trading portfolios.

### 2. Other Financial Information

Figures in EUR million		
	Half year ended 30 June 2019	Half year ended 30 June 2018
Pre-tax profit	3,586	3,727
	At 30 June 2019	(Audited) At 31 December 2018
Total assets	913,390	887,030
Total liabilities	859,930	835,295
Total loans and advances to customers	610,764	592,196
Total customer deposits	571,124	555,812

Details of the above information can be obtained from the Group 2019 interim report and the Group 2018 annual report.